

**AGENDA:** September 24, 2002

**7.2**

**CATEGORY:** Unfinished Business

**DEPT.:** City Council

**TITLE:** Position of Support—Proposition 46:  
Housing and Emergency Shelter Trust  
and Proposition 47: Kindergarten-  
University Facilities

### **RECOMMENDATION**

1. Adopt a position in support of Proposition 46, the Housing and Emergency Shelter Trust Fund Bond Act of 2002.
2. Adopt a position in support of Proposition 47, the Kindergarten-University Education Facilities Bond Act of 2002.
3. Authorize the Mayor to send letters of support to appropriate legislators and organizations.

### **FISCAL IMPACT**

There is no fiscal impact directly associated with the approval of the above-listed recommendations.

### **BACKGROUND AND ANALYSIS**

#### **BACKGROUND AND ANALYSIS ON PROPOSITION 46**

Proposition 46, originally drafted as Senate Bill 1227, Chapter 26, 2002, authored by State Senator Burton, would do the following:

- Allows the State to sell \$2.1 billion of general obligation bonds to fund 21 housing programs. General Fund revenues would be used to pay these costs over about 30 years.
- Most of the funds would go to existing State housing programs. A number of the programs, however, are new with details to be established by subsequent legislation. The major allocations of the bond proceeds are as follows:
  - Multifamily Housing Programs (\$1.11 billion). This measure would fund a variety of housing programs aimed at the construction of rental housing projects such as apartment buildings.

- Homeownership Programs (\$405 million). Most of the funds would be used to provide downpayment assistance to low- and moderate-income homebuyers through low-interest loans or grants.
- Farmworker Housing (\$200 million). These funds would be used to provide loans and grants to the developers of housing for farmworkers. Program funds would be used for both rental and owner-occupied housing.
- Other Programs (\$385 million). Additional funds would be allocated for the construction of homeless shelters, payments to cities and counties based on their approval of housing units, provision of mortgage insurance for high-risk homebuyers and capital needs of local code enforcement departments.

The measure provides the Legislature broad authority to make future changes to the programs funded by the measure. The measure also requires the State Auditor to perform periodic audits of the agencies administering the funds and the recipients of the funds.

### **Impact of Funds**

If enacted, the funds from this measure typically would be used together with other government moneys to provide housing assistance. In total, the bond funds would provide annual subsidies for about 25,000 multifamily and 10,000 farmworker households. The funds would also provide down payment assistance to about 60,000 homebuyers and help provide space for 30,000 homeless shelter beds.

The local impact would potentially be realized primarily in the area of new development or substantial rehabilitation of affordable housing projects. If funding is granted to Mountain View, the measure could possibly support the City's development of workforce housing and housing purchase assistance for teachers.

A copy of the analysis prepared by the Legislative Analyst regarding Proposition 46, including arguments in favor and in opposition to the proposition, are provided in Attachment 1.

### **BACKGROUND AND ANALYSIS ON PROPOSITION 47**

Proposition 47, originally drafted as Assembly Bill 16, Chapter 33, 2002, authored by Assemblymember Hertzberg, would do the following:

- Allows the State to issue \$13.05 billion of general obligation bonds for construction and renovation of K-12 school facilities (\$11.4 billion) and higher education facilities (\$1.65 billion). General obligation bonds are backed by the State. General Fund

revenues would be used to pay these costs. These revenues come primarily from State income and sales taxes.

### **K-12 School Facilities**

Through Proposition 47, \$11.4 billion would be allocated for K-12 school projects. However, the measure would permit changes in this allocation with the approval of the Legislature and the Governor.

- **New Construction.** A total of \$6.35 billion would be available to buy land and construct new school buildings. Districts would be required to pay for 50 percent of costs with local resources. The measure also provides that up to \$100 million of the \$3.45 billion in new construction funds is available for charter school facilities.
- **Modernization.** The proposition makes \$3.3 billion available for the reconstruction or modernization of existing school facilities. Districts would be required to pay 40 percent of project costs from local resources.
- **Critically Overcrowded Schools.** This proposition directs a total of \$1.7 billion to districts with schools that are considered critically overcrowded.
- **Joint-Use Projects.** The measure makes a total of \$50 million available to fund joint-use projects.

### **Higher Education Facilities**

The measure includes \$1.65 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for California's public higher education systems. The Governor and the Legislature would select the specific projects to be funded by the bond moneys.

- **Related Bond Funding.** The legislation that placed this proposition on the ballot provides \$651.3 million in lease revenue bonds to fund specific projects. This would fund \$279 million for UC (7 projects), \$191.3 million for CSU (4 projects), \$170.5 million for the community colleges (11 projects) and \$10.5 million for the California State Library (1 project).

### **Future Education Bond Act**

The legislation that placed this proposition on the ballot authorizes a \$12.3 billion bond measure to be placed on the 2004 primary election ballot. (If the voters do not approve this measure, the 2002 bond issue would be placed on the November 2004 ballot.)

### **Impact of Funds**

If enacted, this measure would help build some of the 46,000 new classrooms the State needs to accommodate nearly 1 million new students and relieve overcrowding. Proposition 47 would also deliver safety improvements and upgrade old, deteriorating schools. This measure would subject all school construction and renovation projects to strict accountability requirements, including mandatory audits.

Locally, if Mountain View applies for and receives a portion of the funding, this measure could assist in modernizing existing schools and meeting demands for new ones.

A copy of the analysis prepared by the Legislative Analyst regarding Proposition 47, including arguments in favor of and in opposition to the proposition, are provided in Attachment 2.

### **CONCLUSION**

If enacted, Proposition 46 would provide funding for affordable housing construction.

If enacted, Proposition 47 would provide funding for modernizing existing schools and the construction of new schools, as needed.

Both Propositions have received support from a number of organizations and individuals. Notably, Proposition 46 has been endorsed by: the Silicon Valley Manufacturing Group (SVMG), the League of California Cities (LCC), Santa Clara County, Santa Cruz County, the City of Morgan Hill, and various women's, youth, education, senior and business organizations. Proposition 47 has been endorsed by: the California State PTA, the California Teachers Association, the Los Altos-Mountain View PTA Council and the California Chamber of Commerce. It has also been endorsed by other local and State-wide education organizations, education officials and a number of State and local elected officials.

Since the September 10, 2002 City Council meeting when these propositions were initially presented to the Council for endorsement, both propositions have been endorsed by the Santa Clara County Cities Association.

Therefore, I am recommending that the Council adopt a position in support of both Proposition 46 and Proposition 47.

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**PUBLIC NOTICING**—Agenda posting.

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Attachments: 1. Legislative Analysis and Arguments relating to Proposition 46  
2. Legislative Analysis and Arguments relating to Proposition 47